

Message Text

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FM AMEMBASSY CARACAS

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C O N F I D E N T I A L CARACAS 0023

EXDIS

E.O. 11652: GDS

TAGS: ENRG, VE

SUBJECT: PETROLEUM REVERSION - THE COMPENSATION ISSUE

REF: A. CARACAS 13133; B. CARACAS 13306

1. AT THE PRESIDENT'S NEW YEAR'S RECEPTION CAESAR CAPRILES OF THE PUBLISHING FAMILY TOOK ME ASIDE TO REPORT THAT HE HAD BEEN HEARING MUTTERINGS COMING FROM THE "HIGHEST SPHERES" OF THE GOV ABOUT A PURPORTED "INTERVENTION" OF MINE ON BEHALF OF THE COMPANIES. CAPRILES SAID HE UNDERSTOOD THE INTERVENTION HAD TO DO WITH THE QUESTION OF COMPENSATION AT NET BOOK VALUE. HE ASKED WHY THE USG SHOULD CONCERN ITSELF WHEN THE COMPANIES HAD LONG AGO ACCEPTED THE NATIONALIZATION TERMS. I TOLD CAPRILES THAT THERE HAD BEEN NO "INTERVENTION" AS SUCH BUT THAT A DIFFERENCE OF VIEWS DID EXIST AS TO WHAT CONSTITUTES A PROPER STANDARD OF COMPENSATION IN NATIONALIZATION CASES GENERALLY. I ASKED HIM TO KEEP OUR CHAT INCONFIDENCE AND BELIEVE HE WILL DO SO.

2. LATER AT THE RECEPTION ROBERT DOLPH OF CREOLE (NOW "CPC SERVICES") VOLUNTEERED TO ME THAT BOTH CARLOS ANDRES PEREZ AND ROMULO BETANCOURT HAD MENTIONED TO HIM MY STATEMENT THAT THE GOV AND THE USG DIFFERED ON THE COMPENSATION ISSUE (REF A). ACCORDING TO DOLPH, BETANCOURT, NOTING THAT THE COMPANIES HAD NOT OBJECTED, REMARKED THAT "THE DEPARTMENT OF STATE IS MORE PAPIST THAN THE POPE."

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3. COMMENT: THE GOV CLEARLY GOT THE MESSAGE, AS THE STATEMENTS

BY PRESIDENT PEREZ AND GONZALO BARRIOS IN THE CONGRESS LAST WEEK HAD ALREADY INDICATED (REF B). ALTHOUGH THE PRESIDENT WAS APPARENTLY NOT VERY HAPPY THAT I CHOSE TO REFER AGAIN TO OUR DIFFERENCES OVER COMPENSATION, I THINK IT WELL THAT HE IS CLEAR ON THAT POINT. IT SEEMS TO ME THAT WE HAVE NOW MORE THAN ADEQUATELY PROTECTED OUR LEGAL POSITION AND RESERVED OUR RIGHTS.

4. I DO FIND IT UNFORTUNATE, HOWEVER, THAT THE PRESIDENT AND HIS PRESTIGIOUS PREDECESSOR COULD REASONABLY EXPRESS PUZZLEMENT IN LIGHT OF WHAT THEY EVIDENTLY BELIEVE WAS THE FAILURE OF THE COMPANIES TO PROTEST NET BOOK VALUE AS AN INADEQUATE STANDARD OF COMPENSATION. WE KNOW, AND THE MINISTER OF MINES KNOWS, THAT A NUMBER OF THE COMPANIES DID TRY TO REGISTER OBJECTIONS TO THAT STANDARD IN THE "CONDITIONAL" RESPONSES INITIALLY SUBMITTED IN RESPONSE TO THE COMPENSATION OFFERS. BUT I DO HAVE THE IMPRESSION THAT SOME COMPANIES HAVE GENERALLY BEEN MORE FORTHRIGHT AND EXPLICIT IN EXPRESSING THEIR CONCERNS TO US THAN TO THE GOV. SHLAUDEMAM

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